



**Nufarm Finance (NZ) Limited**

ARBN 099 125 783

103-105 Pipe Road  
LAVERTON NORTH VIC 3026

October 2009

## **Nufarm Finance ASX Announcement**

We attach

- 1) A copy of the NFN 2009 Annual Report, and
- 2) A copy of a S209 Notice to be sent to holders of Nufarm Step-Up Securities.

A handwritten signature in black ink, appearing to read 'Rodney Heath', is positioned above the printed name.

Rodney Heath  
Nufarm Finance (NZ) Ltd

**Nufarm Finance ( NZ ) Limited**  
**Annual Report**  
**For the year ended 31 July 2009**



# **Nufarm Finance ( NZ ) Limited**

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## Directors Report

The directors of Nufarm Finance (NZ) Limited have pleasure in submitting their report in respect of the financial year ended 31 July 2009.

### Principal Activities

Nufarm Finance (NZ) Limited acts as a financing company for the Nufarm Group.

### NZX waivers

The Company was granted a waiver by NZX Regulation from the requirement under NZX Listing Rule 10.5.2 to provide half-yearly reports on the condition that:

(a) the Company announced to the market that a half-yearly report for the Company will not be supplied and the reasons for that; the Company made this announcement to the market on 22 March 2007;

(b) the Company continues to exist with no other substantive business except as a financing company for the Nufarm group; and

(c) that NZX receives Nufarm's half-yearly and full year reports and the Company's full year report and those reports are made available to all Nufarm Step Up Securities holders in accordance with NZX Listing Rule 10.5.2B.

Full details of the waiver and NZX decision are available on the Company's site at NZX.

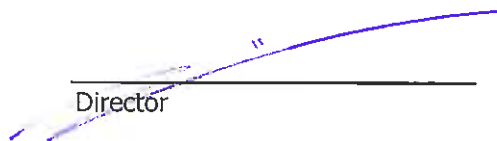
### Results

The net profit attributable to members of the Company for the 12 months to 31 July 2009 is \$8,181,762. The comparable figure for the 12 months to 31 July 2008 was \$17,864,771.

For and on behalf of the Board



Director



Director

Date: 28th October 2009

## Company directory

<b>Nature of Business</b>	To act as a financing company for the Nufarm Group. The Company has 2,510,000 Nufarm Step-up Securities issued, and is a listed debt issuer on the New Zealand Stock Exchange.
<b>Credit rating</b>	The Company has a credit rating of BBB- issued by S&P.
<b>Registered Office</b>	6 Manu Street Otahuhu, AUCKLAND Telephone: 09 270 4150 Facsimile: 09 270 4159
<b>Incorporation Number</b>	107147
<b>Directors</b>	Dr W B Goodfellow Mr K M Hoggard Mr K P Martin Mr D J Rathbone
	Directors Fees were not paid by Nufarm Finance ( NZ ) Limited. Directors are remunerated by Nufarm Limited, the parent company.
<b>Directors Interest</b>	Dr W B Goodfellow held a non-beneficial interest in 47,723 Nufarm Step-up Securities at balance date.
<b>Parent Company</b>	Nufarm Limited
<b>Auditor</b>	KPMG
<b>Bank</b>	Bank of New Zealand
<b>Solicitor</b>	Dawson Harford & Partners

### Distribution of Nufarm Step-up Securities Holders and Nufarm Step-up Securities Holding as at 31 July 2009

<u>Size of Holding</u>	<u>Number of Security Holders</u>		<u>Number of Securities</u>	
1-99	511	17.2%	37,564	1.5%
100-999	2,197	73.9%	642,136	25.6%
1,000-4,999	218	7.3%	373,653	14.9%
5,000-9,999	17	0.6%	102,840	4.1%
10,000+	30	1.0%	1,353,807	53.9%
	<u>2,973</u>	<u>100.0%</u>	<u>2,510,000</u>	<u>100.0%</u>
<u>Geographic distribution:</u>				
New Zealand	2,022	68.0%	1,051,543	41.9%
Australia	941	31.7%	1,454,183	57.9%
Rest of World	10	0.3%	4,274	0.2%
	<u>2,973</u>	<u>100.0%</u>	<u>2,510,000</u>	<u>100.0%</u>

Nufarm Finance ( NZ ) Limited

## **Corporate Governance**

Nufarm Finance (NZ) Limited (Nufarm Finance) recognises its responsibilities to comply with appropriate corporate governance standards and guidelines, including those set out by the New Zealand Securities Commission, ASX and NZX.

As a wholly owned subsidiary of Nufarm Limited (Nufarm), a company registered in Australia and listed on the ASX, Nufarm Finance fully complies with the corporate governance practices of Nufarm. A copy of Nufarm's corporate governance practices are disclosed in full in its annual report and are also available to Nufarm Step-up Securities Holders on Nufarm's website at <http://www.nufarm.com/CorporateGovernance>.

There is no separation of control between Nufarm Finance and Nufarm. The Board of Nufarm Finance includes the Chairman, Managing Director and Chief Executive, further Director and the Chief Financial Officer for the Nufarm Group. The directors of Nufarm Finance believe that the overarching governance procedures of Nufarm provides an appropriate basis for ensuring Nufarm Finance meets its fiduciary obligations to the Nufarm Step-up Securities holders.



## Audit report

### **To the shareholder of Nufarm Finance (NZ) Limited**

We have audited the financial statements on pages 7 to 24. The financial statements provide information about the past financial performance of the company and its financial position as at 31 July 2009. This information is stated in accordance with the accounting policies set out on pages 10 to 13.

#### **Directors' responsibilities**

The Directors are responsible for the preparation of financial statements which give a true and fair view of the financial position of the company as at 31 July 2009 and the results of its operations and cash flows for the year ended on that date.

#### **Auditors' responsibilities**

It is our responsibility to express an independent opinion on the financial statements presented by the Directors and report our opinion to you.

#### **Basis of opinion**

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Directors in the preparation of the financial statements;
- whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditors we have no relationship or interest in the company.



### **Unqualified opinion**

We have obtained all the information and explanations we have required.

In our opinion:

- proper accounting records have been kept by the company as far as appears from our examination of those records;
- the financial statements on pages 7 to 24:
  - comply with New Zealand generally accepted accounting practice;
  - give a true and fair view of the financial position of the company as at 31 July 2009 and the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 28 October 2009 and our unqualified opinion is expressed as at that date.

A handwritten signature in blue ink, appearing to read 'KPMG'.

Auckland



## Income statement

For the year ended 31 July 2009

	Note	2009 \$AUD	2008 \$AUD
Operating expenses		(297,777)	(533,532)
Finance income	1	31,734,842	27,548,621
Finance expense	2	(20,848,514)	-
Net Finance Income		10,886,328	27,548,621
<b>Profit before income tax</b>		<b>10,588,551</b>	<b>27,015,089</b>
Income tax expense	3	(2,406,789)	(9,150,318)
<b>Profit for the period</b>		<b>8,181,762</b>	<b>17,864,771</b>
<b>Earnings per share</b>			
Basic earnings per share (cents)	9	81.8	178.6
Diluted earnings per share (cents)	9	81.8	178.6

## Statement of recognised income and expense

For the year ended 31 July 2009

	Note	2009 \$AUD	2008 \$AUD
Profit for the period		8,181,762	17,864,771
Effective portion of changes in fair value of cash flow hedges		-	(9,346,039)
Fair value of cash flow hedges transferred to the income statement		2,816,932	-
Income tax on fair value changes of cash flow hedges		(1,125,461)	3,084,193
<b>Total recognised income and expense for the period</b>		<b>9,873,233</b>	<b>11,602,925</b>
Attributable to:			
Equity holders of the parent		<b>9,873,233</b>	<b>11,602,925</b>

**Balance sheet**

As at 31 July 2009

	Note	2009 \$AUD	2008 \$AUD
<b>Assets</b>			
Loan receivable - related parties	5	234,498,900	233,756,046
Deferred tax asset	6	3,589,696	2,353,372
Derivative financial instruments	11	16,617,720	33,791,836
<b>Total non-current assets</b>		<u>254,706,316</u>	<u>269,901,254</u>
Cash and cash equivalents	7	726,577	5,937,588
Receivables - related parties	5	16,880,244	538,794
Income tax receivable		2,034,401	3,748,614
<b>Total current assets</b>		<u>19,641,222</u>	<u>10,224,996</u>
<b>Total Assets</b>		<u>274,347,538</u>	<u>280,126,250</u>
<b>Equity</b>			
Share capital	8	9,984,530	9,984,530
Hedging reserve	8	(4,570,375)	(6,261,846)
Retained earnings	8	(2,252,894)	4,901,163
<b>Total equity attributable to ordinary shareholders</b>		3,161,261	8,623,847
Nufarm Step-up Securities	8	246,932,148	246,932,148
<b>Total equity</b>		<u>250,093,409</u>	<u>255,555,995</u>
<b>Liabilities</b>			
Payables - other		27,802	17,981
Payables - related parties	5	24,226,327	24,552,274
<b>Total current liabilities</b>		<u>24,254,129</u>	<u>24,570,255</u>
<b>Total liabilities</b>		<u>24,254,129</u>	<u>24,570,255</u>
<b>Total equity and liabilities</b>		<u>274,347,538</u>	<u>280,126,250</u>



**Statement of cash flows**

For the year ended 31 July 2009

	Note	2009 \$AUD	2008 \$AUD
<b>Cash flows from operating activities</b>			
Payments to suppliers		(287,956)	2,650,100
Interest received		14,991,989	19,262,979
Interest paid		(426,199)	-
Taxation paid		(1,100,000)	(2,083,358)
<b>Net cash from operating activities</b>	<b>12</b>	<u>13,177,834</u>	<u>19,829,721</u>
<b>Cash flows from financing activities</b>			
Nufarm Step Securities distribution		(21,908,315)	(22,035,290)
Loans - repaid by related parties		3,519,470	3,500,000
<b>Net cash used in financing activities</b>		<u>(18,388,845)</u>	<u>(18,535,290)</u>
Net increase in cash and cash equivalents		(5,211,011)	1,294,431
Cash and cash equivalents at 1 August		5,937,588	4,643,157
<b>Cash and cash equivalents at 31 July</b>	<b>7</b>	<u>726,577</u>	<u>5,937,588</u>



## **Notes to the financial statement**

For the year ended 31 July 2009

### **SIGNIFICANT ACCOUNTING POLICIES**

#### **( A ) Reporting entity**

Nufarm Finance ( NZ ) Limited (the "Company") is a company incorporated and domiciled in New Zealand.

The financial statements of the Company are for the year ended 31 July 2009.

Nufarm Finance (NZ) Limited acts as a financing company for the Nufarm Group.

The parent and ultimate parent is Nufarm Limited, an Australian registered and listed company.

The financial statements were authorised for issue by the directors on 28th October 2009.

#### **( B ) Statement of compliance**

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ( NZ GAAP ). They comply with New Zealand equivalents to International Financial Reporting Standards ( NZ IFRS ) and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. The financial statements comply with International Financial Reporting Standards (IFRS).

#### **( C ) Basis of measurement**

The financial statements are prepared on the historical cost basis, except for the derivative financial instruments which are measured at fair value.

#### **( D ) Foreign currency**

##### **Functional currency**

The financial statements are presented in Australian Dollars (\$AUD), which is the Company's functional currency.

##### **Foreign currency transactions**

Transactions in foreign currencies are translated to the functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Foreign currency differences arising on retranslation are recognised in the income statement.

#### **( E ) Use of estimates and judgements**

The preparation of financial statements requires management to make judgements, estimates and assumptions that effect the application of policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.



## Notes to the financial statement

For the year ended 31 July 2009

### SIGNIFICANT ACCOUNTING POLICIES

#### ( E ) Use of estimates and judgements (continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected, where significant estimates have been used.

The most significant areas where management judgement and estimates have been applied is with regard to the recognition of deferred tax asset, hedging and regarding to the valuation of financial instruments. Please refer to notes 6 and 11 for further information.

#### ( F ) Cash and cash equivalents

Cash and cash equivalents comprises the cash balances.

#### ( G ) Loan and related party receivables

Loans receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loan and related party receivables are initially recognised at fair value and subsequently at amortised cost, using the effective interest rate method, less provision for impairment.

#### ( H ) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement.

#### ( I ) Related party payables and other payables

Related party payables and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

#### ( J ) Derivative financial instruments

The Company uses derivative financial instruments, including foreign exchange contracts and interest rate caps, to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. The Company does not hold or issue derivative financial instruments for trading purposes.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

#### Cash Flow Hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in the income statement.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. When the hedged item is a non financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in equity is transferred to the income statement when the hedged item affects profit or loss.

## **Notes to the financial statement**

For the year ended 31 July 2009

### **SIGNIFICANT ACCOUNTING POLICIES**

#### **( K ) Nufarm Step-up Securities**

The Nufarm Step-up Securities (NSS) are perpetual step up securities. Distributions on the NSS are at the discretion of the directors and are floating rate, unfranked, non-cumulative and subordinated. However, distributions of profits and capital by Nufarm Limited are restricted if distributions to NSS holders are not made, until such time that Nufarm Finance (NZ) Limited makes up the arrears.

#### **( L ) Impairment**

The carrying amounts of the Company's assets are reviewed at each balance date to determine whether there is any indication of impairment.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in the income statement.

#### **( M ) Finance income and expenses**

Finance income comprises interest income on cash balances, interest income on loans, foreign currency gains and gains on hedging instruments that are recognised in the income statement. Interest income is recognised as it accrues, using the effective interest rate method.

Finance expenses comprise interest expense on borrowings, foreign currency losses and losses on hedging instruments that are recognised in profit or loss. All borrowing costs are recognised in the income statement using the effective interest rate method.

#### **( N ) Income tax expense**

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred taxes are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

## **Notes to the financial statement**

For the year ended 31 July 2009

### **SIGNIFICANT ACCOUNTING POLICIES**

#### **( O ) Earnings per share**

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

#### **( P ) Changes in accounting policies**

All accounting policies have been applied consistently to all periods presented in these financial statements.

The International Accounting Standards Board has issued a number of standards, amendments and interpretations which are not yet effective. The company has not applied these in preparing these financial statements and while the application of these standards, amendments and interpretations would require further disclosures, they are not expected to have a material impact on the company's results.



**Notes to the financial statements (continued)**

For the year ended 31 July 2009

	<b>2009</b>	<b>2008</b>
	<b>\$AUD</b>	<b>\$AUD</b>
<b>1 Finance income</b>		
Interest received from loans to group entities	13,429,832	16,749,978
Other interest received	1,562,157	2,489,381
Unrealised exchange gain	16,742,853	3,082,410
Fair value gain on derivatives	-	1,287,217
Net change in fair value of cash flow hedges	-	3,939,635
	<u>31,734,842</u>	<u>27,548,621</u>
The Company operates only in the financing industry, and only in New Zealand.		
<b>2 Finance expense</b>		
Interest paid on loans from group entities	(426,002)	-
Other interest paid	(199)	-
Unrealised exchange loss	(431,268)	-
Fair value loss on derivatives	(17,174,113)	-
Transferred to the income statement from cash flow hedge reserve	(2,816,932)	-
	<u>(20,848,514)</u>	<u>-</u>
<b>3 Income tax</b>		
<b>Current tax expense</b>		
Current tax expense	2,944,894	8,628,014
Adjustments for prior years	(489,395)	-
	<u>2,455,499</u>	<u>8,628,014</u>
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	231,671	286,966
Reduction in tax rate	-	235,338
Adjustments for prior years	(280,381)	-
	<u>(48,710)</u>	<u>522,304</u>
Income tax expense recognised in income statement	<u>2,406,789</u>	<u>9,150,318</u>
<b>Tax expense/(benefit) recognised directly in equity</b>		
Tax benefit of NSS distribution	(6,572,495)	(7,271,592)
Derivatives	-	(3,084,193)
	<u>(6,572,495)</u>	<u>(10,355,785)</u>
<b>Reconciliation of effective tax rate</b>		
Profit before tax	<u>10,588,551</u>	<u>27,015,089</u>
Income tax at company rate 30c (2008: 33c)	3,176,565	8,914,980
Reduction in tax rate	-	235,338
Adjustments for prior years	(769,776)	-
Income tax expense recognised in income statement	<u>2,406,789</u>	<u>9,150,318</u>

The corporate tax rate in New Zealand changed from 33% to 30%. The impact of the change in tax rate was taken into account in the measurement of deferred taxes at 31 July 2008.



**Notes to the financial statements (continued)**

For the year ended 31 July 2009

	2009 \$AUD	2008 \$AUD
<b>3 Income tax (continued)</b>		
The Company has imputation credits of \$1,981,679 at 31 July 2009 (2008: \$4,768,966).		
<b>4 Segment reporting</b>		
The Company acts as a financing company for the Nufarm Group. It operates solely within the financing industry in New Zealand. It is listed in both Australia and New Zealand as the Nufarm Step-up Securities were issued to holders in both countries. Refer note 5 for an analysis of the geographical regions into which the Company advance funds and received interest income.		
<b>5 Related parties</b>		
The Company and the related parties below have Nufarm Limited, an Australian registered and listed company as their ultimate parent.		
<b>Non-current assets</b>		
Nufarm Americas Inc	137,712,575	121,811,441
Nufarm Holdings BV	96,786,325	95,944,605
Nufarm NZ Ltd	-	16,000,000
	<u>234,498,900</u>	<u>233,756,046</u>
<b>Current assets</b>		
Nufarm Holdings NZ Limited	16,000,000	-
Croplands Equipment Limited	323,568	-
Nufarm Holdings BV	308,825	538,794
Nufarm Limited NZ Branch	247,851	-
	<u>16,880,244</u>	<u>538,794</u>

Included in non-current assets above are the following unsecured variable rate loans:

Nufarm Americas Inc (United States)	USD 114,990,000
Nufarm Holdings BV (Netherlands)	Euro 32,700,000
Nufarm Holdings BV (Netherlands)	GBP 16,000,000
Nufarm Holdings BV (Netherlands)	CAD 8,000,000

The loans are repayable on 24 November 2011. The interest rate is variable based on local rates and is reset on a six monthly basis.

During the year, the Company received interest from Nufarm Americas Inc (United States) \$7,236,964 (2008: \$8,810,522) and Nufarm Holdings BV (Netherlands) \$6,192,868 (2008: \$7,142,094).

The remaining intercompany receivables are interest free, unsecured and repayable on demand.

**Current liabilities**

Nufarm NZ Limited	-	6,142,728
Nufarm Holdings NZ Limited	18,800,325	9,607,420
Nufarm Australia Limited	5,426,002	2,512,096
Nufarm Limited NZ Branch	-	6,290,030
	<u>24,226,327</u>	<u>24,552,274</u>

The above intercompany balances are unsecured and repayable on demand.

Interest of \$426,002 was paid during the year on the intercompany loan with Nufarm Australia Limited. The loan attracted interest rates of 8.41% (August-January) and 5.48% (February-July). The Nufarm Holdings NZ Limited loan is interest free.

The Company has completed the following transactions with Nufarm Limited, through their New Zealand branch:

- Audit fees of \$40,000 were paid by the Nufarm Limited NZ Branch on behalf of the Company (2008: \$40,000).
- The Company paid \$80,381 (2008: \$81,629) fees to Nufarm Limited NZ Branch, for the provision of accounting and administrative services.
- The loan of \$6 million from the prior year due to Nufarm Limited NZ Branch was redesignated as part of restructure of the Nufarm Group loans. The loan is now due to Nufarm Holdings NZ.
- Tax losses were transferred to Nufarm Limited NZ Branch resulting in the current related party receivable balance disclosed above.

The Company did not incur any expenses in relation to key management personnel. Those expenses are incurred by the Company's parent and disclosed in full in the Nufarm Limited financial statements which are publicly available.

There were no other transactions with related parties other than the Directors Interests disclosed in the Company Directory.

**Notes to the financial statements (continued)**

For the year ended 31 July 2009

**6 Deferred tax assets****Recognised deferred tax assets and liabilities**

Deferred tax assets are attributable to the following items:

	<b>Assets</b>	
	<b>2009</b>	<b>2008</b>
	<b>\$AUD</b>	<b>\$AUD</b>
Tax benefit of NSS issue costs	677,284	782,635
Tax loss carry-forwards	2,912,412	1,570,737
Deferred tax assets	<u>3,589,696</u>	<u>2,353,372</u>

The Company has no deferred tax liabilities.

The tax losses have been recognised on the basis of the forecasted operating earnings of the Nufarm Limited New Zealand companies and as management consider it probable that future profits will be available against which they can be utilised.

**Movement in temporary differences during the year**

	<b>Balance 1-Aug-08</b>	<b>Recognised in profit or loss</b>	<b>Reduction in tax rate</b>	<b>Recognised in equity</b>	<b>Balance 31-Jul-09</b>
	<b>\$AUD</b>	<b>\$AUD</b>	<b>\$AUD</b>	<b>\$AUD</b>	<b>\$AUD</b>
Tax benefit of NSS issue costs	782,635	(105,351)	-	-	677,284
Tax loss carry-forwards	1,570,737	154,061	-	1,187,614	2,912,412
Deferred tax assets	<u>2,353,372</u>	<u>48,710</u>	<u>-</u>	<u>1,187,614</u>	<u>3,589,696</u>
	<b>Balance 1-Aug-07</b>	<b>Recognised in profit or loss</b>	<b>Reduction in tax rate</b>	<b>Recognised in equity</b>	<b>Balance 31-Jul-08</b>
	<b>\$AUD</b>	<b>\$AUD</b>	<b>\$AUD</b>	<b>\$AUD</b>	<b>\$AUD</b>
Tax benefit of NSS issue costs	1,147,865	(286,966)	(78,264)	-	782,635
Tax loss carry-forwards	-	(56,302)	(157,074)	1,784,113	1,570,737
Deferred tax assets	<u>1,147,865</u>	<u>(343,268)</u>	<u>(235,338)</u>	<u>1,784,113</u>	<u>2,353,372</u>

The corporate tax rate in New Zealand has changed from 33% to 30%. The reduction in tax rate column recognises the impact of the change on the deferred tax balances.



**Notes to the financial statements (continued)**

For the year ended 31 July 2009

	2009 \$AUD	2008 \$AUD
<b>7 Cash and cash equivalents</b>		
Bank balances	726,577	5,937,588
Cash and cash equivalents in the statement of cash flows	<u>726,577</u>	<u>5,937,588</u>

The Company bank accounts are grouped under the Bank of New Zealand Set-Off Deed. Under this arrangement, all the Nufarm New Zealand group bank accounts are offset, with the net funds being placed on call. At 31 July 2009, the bank account was attracting Interest at 1.58% (2008: 9.26%).

**8 Share capital and reserves**

	Share capital \$AUD	Hedging reserve \$AUD	Retained earnings \$AUD	Total equity \$AUD
<b>2008</b>				
Balance at 1 August 2007	9,984,530	-	1,800,050	11,784,580
Profit for the period	-	-	17,864,771	17,864,771
Recognised in equity during the period	-	(3,622,291)	-	(3,622,291)
Transferred to profit or loss during the period	-	(2,639,555)	-	(2,639,555)
Nufarm Step-up Securities distribution	-	-	(22,035,250)	(22,035,250)
Tax effect of Nufarm Step-up Securities distribution	-	-	7,271,592	7,271,592
Balance at 31 July 2008	<u>9,984,530</u>	<u>(6,261,846)</u>	<u>4,901,163</u>	<u>8,623,847</u>
<b>2009</b>				
Balance at 1 August 2008	9,984,530	(6,261,846)	4,901,163	8,623,847
Profit for the period	-	-	8,181,762	8,181,762
Transferred to profit or loss during the period	-	2,816,932	-	2,816,932
Tax effect of fair value transferred to the income statement	-	(1,125,461)	-	(1,125,461)
Nufarm Step-up Securities distribution	-	-	(21,908,315)	(21,908,315)
Tax effect of Nufarm Step-up Securities distribution	-	-	6,572,496	6,572,496
Balance at 31 July 2009	<u>9,984,530</u>	<u>(4,570,375)</u>	<u>(2,252,894)</u>	<u>3,161,261</u>

**Notes to the financial statements (continued)**

For the year ended 31 July 2009

**8 Share capital and reserves (continued)**

Share capital	Ordinary shares	
	2009	2008
On issue at 1 August	10,000,000	10,000,000
On issue at 31 July - fully paid	10,000,000	10,000,000

All shares are fully paid and have no par value.

Nufarm Limited, an Australian registered company, is the parent and ultimate parent entity. Nufarm Limited holds 100% of the shares.

The holders of ordinary shares are entitled to receive dividends as declared from time to time. They are entitled to one vote per share at meetings of the company. All shares, share equally in both dividends and surplus or deficit, on winding up.

**Hedging Reserve**

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

**Nufarm Step-up Securities**

In the year ended 31 July 2007 the Company issued a new hybrid security called Nufarm Step-up Securities (NSS). The NSS are perpetual step up securities and on 24 November 2006, 2,510,000 NSS were allotted at an issue price of \$100 per security raising \$251 million. The NSS are listed on the ASX under the code 'NFNG' and on the NZDX under the code 'NFFHA'. The after-tax costs associated with the issue of the NSS, totalling \$4.1 million, have been deducted from the proceeds.

Distributions on the NSS are at the discretion of the directors and are floating rate, unfranked, non-cumulative and subordinated. However, distributions of profits and capital by Nufarm Limited and the Company are restricted if distributions to NSS holders are not made, until such time that the Company makes up the arrears. The first distribution date for the NSS was 16 April 2007 and on a six-monthly basis after this date. The floating rate is the average mid-rate for bills with a term of six months plus a margin of 1.90%.

The step-up date is five years from issue date, and provides the Company with the following options: (a) keep the NSS on issue whereby the margin will be reset or step up by the step-up margin; or (b) redeem the NSS for face value, or (c) exchange them for a number of ordinary shares in Nufarm Limited, the parent company, an Australian registered and listed company . The exchange ratio is calculated based on the average market price of Nufarm Limited ordinary shares for 20 business days prior to exchange date less a 2.5% discount.

The NSS are considered an equity instrument as the Company has no present contractual obligation to deliver cash or another financial asset to the holder of the security. The step up feature does not of itself establish a contractual obligation to pay the distributions or to call the security.

## Notes to the financial statements (continued)

For the year ended 31 July 2009

### 8 Share capital and reserves (continued)

#### Distributions

Distributions recognised in the current year on the Nufarm Step-up Securities are:

	Distribution rate	Total amount	Payment date
<b>2009</b>			
Distribution	7.48%	9,361,684	15-Apr-09
Distribution	9.97%	12,546,631	15-Oct-08
<b>2008</b>			
Distribution	8.95%	11,263,024	15-Apr-08
Distribution	8.56%	10,772,226	15-Oct-07

No dividends to the ordinary shareholders were declared in the current year (2008: Nil).

### 9 Earnings per share

#### Basic and diluted earnings per share

The calculation of basic and diluted earnings per share at 31 July 2009 was based on the profit attributable to ordinary shareholders of \$8,181,762 (2008: \$17,864,771) and a weighted number of ordinary shares outstanding of 10,000,000 (2008: 10,000,000), calculated as follows:

#### Profit attributable to ordinary shareholders

	<b>2009</b> <b>\$AUD</b>	<b>2008</b> <b>\$AUD</b>
Net profit for the period	8,181,762	17,864,771
Net profit/(loss) attributable to ordinary shareholders	<u>8,181,762</u>	<u>17,864,771</u>

#### Weighted number of ordinary shares

	<b>Ordinary shares</b>	
	<b>2009</b>	<b>2008</b>
On issue at 1 August	10,000,000	10,000,000
On issue at 31 July - fully paid	<u>10,000,000</u>	<u>10,000,000</u>

At the step-up date of 24 November 2011, the company may elect to redeem the NSS for a number of ordinary shares in Nufarm Limited, the parent company, an Australian registered and listed company. This election would therefore not result in a dilutive impact on the number of ordinary shares issued in the Company.



## Notes to the financial statements (continued)

For the year ended 31 July 2009

### 10 Contingent liabilities

The company has entered into a Negative Pledge Deed with the Nufarm Group's lenders, whereby all Group entities which are a party to the Deed have guaranteed the repayment of all liabilities to the lenders in the event that any of these companies are wound up. The Company treats the guarantee as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

If a NSS distribution is declared, Nufarm Limited guarantees the payment of the distribution.

There were no other contingencies as at 31 July 2009.

### 11 Financial instruments

The Company's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

#### Market Risks

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

#### Interest Rate Risk

The Company has the ability to use derivative financial instruments to manage specifically identified interest rate risks. The Company uses interest rate caps to protect the cash flow impact of a movement in the distribution base rate on the Nufarm Step-up Securities (NSS).

The distribution rate on the NSS is based on a floating rate of the average mid-rate for bills with a term of six months plus a margin of 1.90%. The company has taken interest rate caps with various banks to cap the average mid-rate for bills at 6.275%. This hedging relationship does not qualify for hedge accounting and hence the gain or loss on remeasurement to fair value on the interest rate caps is recognised immediately in profit or loss.

The company does not hedge the exposures to interest rate risk on the cash and loan receivable balances. An increase in interest rates by 100 basis points with all other variables held constant at the reporting date would have resulted in a higher post tax profit of \$2,744,728 (2008: \$7,254,386) mainly as a result of higher interest income from floating rate cash and loan receivables and higher fair value on the interest rate caps. Equity would have been \$2,469,322 (2008: \$2,469,321) lower as a result of an increase in the distribution on the NSS. A decrease in interest rates by the same basis points with all other variables held constant at reporting date would have resulted in a lower post tax profit of \$2,230,777 (2008: \$5,770,406). Equity would have had the equal but opposite effect.

#### Foreign exchange risk

The Company uses derivative financial instruments to manage specifically identified foreign currency risks on borrowings that are denominated in a currency other than the functional currency of the Company, which is Australian dollars. The Company is exposed to foreign currency risk on the loan receivables from related parties. The currencies in which the borrowings are primarily denominated are US dollars, the Euro, the British Pound and the Canadian dollar.



## Notes to the financial statements (continued)

For the year ended 31 July 2009

### 11 Financial instruments (continued)

#### Foreign exchange risk (continued)

The company used foreign exchange contracts to hedge the foreign currency exposures arising from the related party receivables. In the previous year management designated the foreign currency loan receivables and foreign exchange contracts into a cash flow hedge relationship. During the period, hedge accounting was not achieved, however the economic hedge is still considered effective.

Therefore the fair value gains or losses on the forward exchange contracts will be recognised in the profit or loss. The cumulative gain or loss previously recognised in equity is recognised and transferred to profit and loss when the hedged item affects profit or loss. The cash flows associated with the foreign exchange contracts are expected to occur by 24 November 2011.

At 31 July 2009, the foreign exchange contracts designated in a hedge relationship had a fair value of NIL (2008: \$25,287,675).

As the hedge relationship is economically highly effective, changes in spot exchange rates will have no material impact on the Company's equity and profit or loss.

#### Credit Risk

Credit risk arises from cash and derivative financial instruments with banks, as well as loans and outstanding receivables to related parties. The related parties and the Company have Nufarm Limited, an Australia registered company, as their parent entity. For banks, only independently rated parties with a minimum rating of AA are accepted. The Company has credit policies in place and the exposure to credit risk is monitored on an ongoing basis.

The maximum exposure to credit risk is represented by the carrying value of each financial asset in the balance sheet. The carrying amounts of the Company's assets are reviewed at each balance date to determine whether there is any indication of impairment.

The maximum exposure to credit risk at the reporting date was:

	Carrying Amount	
	2009 \$AUD	2008 \$AUD
Loans receivable-related parties	234,498,900	233,756,046
Receivables-related parties	16,880,244	538,794
Cash and cash equivalents	726,577	5,937,588
Forward exchange contracts	15,650,587	25,287,675
Interest rate options	967,133	8,504,161
	<u>268,723,441</u>	<u>274,024,264</u>

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in the income statement.

There was no impairment loss recognised during the period in the income statement.

#### Liquidity Risk

Liquidity risk represents the Company's ability to meet its contractual obligations. The company evaluates its liquidity requirements on an ongoing basis and has sufficient liquid assets at 31 July 2009 to reduce its exposure to liquidity risk to an acceptable level for the next 12 months.

The Company's largest liquidity exposure relates to the NSS security which is classified as equity and has a step-up date of 24 November 2011. The liquidity risk is immaterial because it is offset by the related party receivables with a matching maturity date, distributions on the NSS security are at the discretion of the issuer, and the issuer has multiple options at the set-up date.

Refer to Note 5 and Note 8 for details.

All amounts relating to account payables are due within the next six months.



**Notes to the financial statements (continued)**

For the year ended 31 July 2009

**11 Financial instruments (continued)****Liquidity risk (continued)**

The tables below present the Company's cash flows by remaining contractual maturities as at balance date.

The amounts disclosed in the tables are the contractual undiscounted cash flows and therefore, will not agree to the carrying values on the balance sheet.

	2009				Total Contractual Cash Flows \$AUD
	Within 6 months \$AUD	Between 6 months and 1 year \$AUD	Between 1 and 2 years \$AUD	Between 2 and 5 years \$AUD	
<b>Non-derivative financial assets</b>					
Cash and cash equivalents	(726,577)	-	-	-	(726,577)
Receivables - related parties	(16,880,244)	-	-	-	(16,880,244)
Loan receivable - related parties	(877,685)	(1,089,137)	(3,751,599)	(236,172,866)	(241,891,287)
<b>Non-derivative financial liabilities</b>					
Payables - other	27,802	-	-	-	27,802
Payables - related parties	24,226,327	-	-	-	24,226,327
<b>Derivative financial liabilities/(assets)</b>					
Foreign exchange contracts					
- Inflows	-	-	-	(270,675,840)	(270,675,840)
- Outflows	-	-	-	234,498,900	234,498,900
<b>Net settled derivatives</b>					
Interest rate caps	-	-	-	(299,632)	(299,632)
	<u>5,769,623</u>	<u>(1,089,137)</u>	<u>(3,751,599)</u>	<u>(272,649,438)</u>	<u>(271,720,551)</u>
<b>2008</b>					
	2008				Total Contractual Cash Flows \$AUD
	Within 6 months \$AUD	Between 6 months and 1 year \$AUD	Between 1 and 2 years \$AUD	Between 2 and 5 years \$AUD	
<b>Non-derivative financial assets</b>					
Cash and cash equivalents	(5,937,588)	-	-	-	(5,937,588)
Receivables - related parties	(538,794)	-	-	-	(538,794)
Loan receivable - related parties	(4,351,983)	(4,281,861)	(9,015,460)	(230,300,791)	(247,950,095)
<b>Non-derivative financial liabilities</b>					
Payables - other	17,981	-	-	-	17,981
Payables - related parties	24,552,274	-	-	-	24,552,274
<b>Derivative financial liabilities/(assets)</b>					
Foreign exchange contracts					
- Inflows	-	-	-	(270,675,840)	(270,675,840)
- Outflows	-	-	-	217,756,046	217,756,046
<b>Net settled derivatives</b>					
Interest rate caps	(1,463,682)	(1,164,971)	(1,665,000)	(2,476,752)	(6,770,405)
	<u>12,278,208</u>	<u>(5,446,832)</u>	<u>(10,680,460)</u>	<u>(285,697,337)</u>	<u>(289,546,421)</u>

The above table reflects expected maturities, except for the following:

Related party receivables of \$258 million is expected after five years.

Related party payables of \$24.2 million is expected after five years.





**Notes to the financial statements (continued)**

For the year ended 31 July 2009

**11 Financial instruments (continued)****Fair Valuation**

The carrying values of the financial assets and liabilities reflected in the tables below approximate their fair values.

	<b>Derivative Assets at Fair value \$AUD</b>	<b>Loans and Receivables \$AUD</b>	<b>Other Financial Liabilities \$AUD</b>	<b>Carrying Value \$AUD</b>
<b>2009</b>				
<b>Assets as per Balance Sheet</b>				
Cash and Cash Equivalents	-	726,577	-	726,577
Loans Receivable - Related Parties	-	234,498,900	-	234,498,900
Derivative assets used for risk management				
- Foreign exchange contracts	15,650,587	-	-	15,650,587
- Interest rate options	967,133	-	-	967,133
Related party receivables	-	16,880,244	-	16,880,244
<b>Total</b>	<b>16,617,720</b>	<b>252,105,721</b>	<b>-</b>	<b>268,723,441</b>
<b>Liabilities as per Balance Sheet</b>				
Account payables	-	-	27,763	27,763
Loans Payable - Related Parties	-	-	24,226,327	24,226,327
<b>Total</b>	<b>-</b>	<b>-</b>	<b>24,254,090</b>	<b>24,254,090</b>
<b>2008</b>				
<b>Assets as per Balance Sheet</b>				
Cash and Cash Equivalents	-	5,937,588	-	5,937,588
Loans Receivable - Related Parties	-	233,756,046	-	233,756,046
Derivative assets used for risk management				
- Foreign exchange contracts	25,287,675	-	-	25,287,675
- Interest rate options	8,504,161	-	-	8,504,161
Related party receivables	-	538,794	-	538,794
<b>Total</b>	<b>33,791,836</b>	<b>240,232,428</b>	<b>-</b>	<b>274,024,264</b>
<b>Liabilities as per Balance Sheet</b>				
Account payables	-	-	17,981	17,981
Loans Payable - Related Parties	-	-	24,136,898	24,136,898
Related Party payables	-	-	415,376	415,376
<b>Total</b>	<b>-</b>	<b>-</b>	<b>24,570,255</b>	<b>24,570,255</b>

**Derivatives**

Derivatives are initially recognised at fair value on the date the derivative contract is entered into and are subsequently remeasured at their fair value. Fair value is estimated using discounted cash flow models or option pricing models as appropriate using market inputs without any reliance on entity specific inputs. Market inputs include market interest rates, market interest rates level of volatility and quoted foreign exchange rates.

**Loans and Receivables**

Cash and cash equivalents and related party receivables are short term in nature and the related carrying value is equivalent to the fair value. Loan receivable-related parties are floating rate loans, therefore the carrying value is considered a reasonable estimate of their fair value.

**Other Financial Liabilities**

All the balances under this classification are short term in nature and thus the related carrying values are equivalent to their fair value.

**Capital Management**

The Company's capital includes share capital, reserves, retained earnings and the Nufarm Step-up Securities. The Company is part of the Nufarm Limited group, which is an Australian listed company. The Nufarm Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company's capital management policies are reviewed regularly by the Directors. There have been no material changes in the Company's management of capital during the period.

**Notes to the financial statements (continued)**

For the year ended 31 July 2009

	<b>2009</b>	<b>2008</b>
	<b>\$AUD</b>	<b>\$AUD</b>
<b>12 Reconciliation of the profit for the period with the net cash flow from operating activities</b>		
Profit for the period	8,181,762	17,864,771
Adjustments for:		
Unrealised exchange gain	(16,742,854)	(3,306,482)
Unrealised exchange loss	431,268	-
Fair value loss on derivatives	17,174,116	(1,287,217)
Net change in fair value of cash flow hedges	-	(3,939,635)
Transferred from Hedging reserve	2,816,932	-
Non-cash movement in related party	-	3,233,729
Income tax expense	2,406,789	9,150,318
	<u>14,268,013</u>	<u>21,715,484</u>
Change in other payables	9,821	247,692
Change in related party receivable	-	17,981
Change in related party payables	-	(68,078)
Income tax paid	(1,100,000)	(2,083,358)
<b>Net cash from operating activities</b>	<u><b>13,177,834</b></u>	<u><b>19,829,721</b></u>

**13 Commitments**

There were no commitments as at 31 July 2009 (2008: Nil).

**14 Subsequent Events**

On the 28 September 2009, Nufarm Limited announced that it has entered into a Heads of Agreement with Sinochem Corporation in relation to a non-binding proposal for Sinochem Corporation to acquire all of the issued ordinary shares in Nufarm Limited by way of a scheme of arrangement for a price of \$13.00 per ordinary share.

The Heads of Agreement provides for Nufarm Limited to work with Sinochem Corporation for a period ending 3 December 2009 (unless terminated earlier) on an exclusive basis to negotiate a Transaction Implementation Agreement. The execution of a Transaction Implementation Agreement is subject to Sinochem Corporation being satisfied with the results of its due diligence enquiries and approval by Sinochem Corporation and the Nufarm Limited Board. Consequently there is no certainty that a Transaction Implementation Agreement will be executed.

The Transaction Implementation Agreement would be subject, among other things, to Australian and Chinese regulatory approvals, Nufarm Limited shareholder approval and court approval.

In accordance with the terms of issue of the Nufarm Step-Up Securities (NSS), if the Proposed Acquisition is approved by the Court, Nufarm Limited will have the option to redeem the NSS for cash in accordance with the NSS terms of issue. If the Proposed Acquisition is approved by the Court, the holders of NSS may also request redemption of their NSS for cash in accordance with the NSS terms of issue.

Nufarm Finance ( NZ ) Limited

## Directors' declaration

In the opinion of the directors of Nufarm Finance (NZ) Limited, the financial statements and notes, on pages 7 to 24:

- \* comply with New Zealand generally accepted accounting principles and give a true and fair view of the Company as at 31 July 2009 and the results of its operations and cash flows for the year ended on that date; and
- \* have been prepared using appropriate accounting policies, which have been consistently applied and supported by reasonable judgements and estimates.

The directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Company and facilitate compliance of the financial statements with the Financial Reporting Act 1993.

The directors consider that they have taken adequate steps to safeguard the assets of the Company, and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide a reasonable assurance as to the integrity and reliability of the financial statements.

The directors are pleased to present the financial statements of Nufarm Finance (NZ) Limited for the year ended 31 July 2009.

For and on behalf of the Board of Directors:

Dated at Auckland this 28th day of October 2009



KM Hoggard  
Director



WB Goodfellow  
Director



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## RECEIVING QUOTED SECURITY HOLDER COMMUNICATIONS (209 Notice)

As a Nufarm Finance (NZ) Limited Quoted Security Holder, you receive a number of communications from us. However, in accordance with the New Zealand Companies Act 1993 and NZSX Listing Rules, we will no longer automatically be mailing to you printed copies of the Annual Report or Half Year Report.

This year Nufarm Finance (NZ) Limited has decided not to take up the option to prepare a Concise Annual Report.

Nufarm Finance (NZ) Limited's and Nufarm Limited's Annual Reports for the year ended 31 July 2009 are now available on our website, and Nufarm Limited's Half Year Report for the six months ended 31 January 2010 will be available on our website around April 2010. You can obtain copies of these reports at [www.nufarm.com/AnnualReports](http://www.nufarm.com/AnnualReports).

Notwithstanding that these reports are available electronically, you have the right to receive, on request and free of charge, a copy of the Nufarm Finance (NZ) Limited Annual Report prepared under the NZSX Listing Rules, and the Nufarm Limited Annual Report and next Half Year Report (when available).

If you wish to receive a copy of these reports, please mark the box below and return this form within 15 working days of receiving this form in the reply paid envelope provided or by fax to +64 9 488 8787.

If you have any questions about changing how you receive Quoted Security Holder communications, please contact Computershare on +64 9 488 8777.

As at 31 July 2009, there were no substantial security holders of Nufarm Finance (NZ) Limited's Step-Up Securities (NSS).

### I Would Like To Receive A Copy Of The Annual And Half Year Reports

Please mark this box with an 'X' if you wish to receive copies of Nufarm Finance (NZ) Limited's and Nufarm Limited's Annual Reports and Nufarm Limited's Half Year Report (when available) each year.

**PLEASE INSERT THIS ENTIRE PAGE IN THE REPLY PAID ENVELOPE SUPPLIED OR FAX TO +64 9 488 8787.**